

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**REVIEW OF GRANTEE'S
TRANSFER OF FUNDS
AND COMPLIANCE WITH
PROGRAM INTEGRITY STANDARDS**

**Grantee: Legal Aid Society of Middle Tennessee
 and the Cumberlands
 Recipient No. 643040**

Report No. 03-01

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TABLE OF CONTENTS

RESULTS OF AUDIT	1
GRANTEE’S COMMENTS	2
BACKGROUND.....	3
OBJECTIVES, SCOPE, and METHODOLOGY	3
APPENDIX I – Grantee Comments	I - 1
APPENDIX II - OIG Staff Responsible for the Audit and Report	II-1

RESULTS OF AUDIT

The Legal Services Corporation (LSC) Office of Inspector General (OIG) conducted this audit to determine whether the Legal Aid Society of Middle Tennessee and the Cumberlands (grantee) complied with certain requirements of 45 CFR Part 1610. This regulation prohibits grantees from transferring LSC funds to an organization that engages in activities prohibited by the LSC Act and LSC appropriation acts, with one exception. The only exception is that LSC funds may be used to fund private attorney involvement (PAI) activities that an organization performs for the grantee. In addition, grantees must maintain objective integrity and independence from organizations that engage in restricted activities.

The audit provides reasonable, but not absolute, assurance that the grantee complied with Part 1610 between January 1, 2001 and August 30, 2002, the period covered by our review. During this time period the grantee was not involved with organizations that engaged in restricted activities and LSC funds were not transferred to other legal organizations.

Although we found no problems with the grantee's compliance with the program integrity standard, improvements were needed in one area. The grantee did not have a formal process in place to determine whether part-time advocates needed to provide certifications concerning their outside activities. During the audit the Executive Director established a process that will correct this problem.

Certifications for Part-Time Advocate

A part-time attorney, who was also a self-employed provider of legal services, did not provide the required certifications that he did not engage in restricted activities while being paid by the grantee. Nine other part-time advocates also did not document whether they were employed by another legal organization. As a result, the grantee did not comply with 45 CFR Part 1635 requirements.

45 CFR Part 1635 requires grantees to obtain certifications from part-time advocates who also work for organizations that engage in restricted activities. The advocates are required to certify that they (1) have not engaged in any restricted activity during any time for which they were compensated by the grantee, and (2) have not used program resources for restricted activities.

A part-time attorney in the Cookeville office did not provide the required certifications. This individual was a sole practitioner who engaged in restricted activities while not working for the grantee. The Executive Director said that he did not require quarterly certifications from the part-time attorney because the regulation cites "organization" but not private practice. The OIG does not agree with this interpretation. Certifications must be obtained from all part-time

attorneys that engage in prohibited activities either with another organization or as sole practitioners.

The Executive Director stated that he had no problem requiring certifications from this part-time attorney and any others engaging in similar outside activities in the future. Subsequently, the Executive Director requested and obtained quarterly certifications from the part-time attorney for 2002.

Nine additional part-time advocates did not document whether they were employed by another legal organization, and did not provide certifications. The grantee did not have a formal process for determining whether part-time advocates were employed by organizations that engaged in restricted activities. During the audit, the grantee implemented a policy requiring part-time advocates to document through email to the Executive Director whether they also worked for another legal organization that engages in restricted activity.

The OIG did not identify any instances in which an attorney or paralegal engaged in a restricted activity while compensated by the grantee or used grantee resources for restricted activities.

We are not making recommendations for this finding because no violations of the practice restrictions were found and the Executive Director took action to preclude future violations of 45 CFR Part 1635.

GRANTEE'S COMMENTS

The grantee reviewed the draft audit report and concurred with the findings. The grantee's comments are included as Appendix I.

BACKGROUND

The Legal Aid Society of Middle Tennessee and the Cumberland is a nonprofit corporation organized to provide legal services to indigent individuals who meet eligibility guidelines. The grantee is headquartered in Nashville, Tennessee and maintains 7 additional offices throughout the state. At the time of our audit, it was staffed with 34 attorneys, 7 paralegals, and 40 other employees who assist case handlers and provide administrative support services. The grantee received total funding of over \$2.8 million during the most recent fiscal year, which ended December 31, 2001. LSC provided in excess of \$1.1 million or about 40 per cent of total funds received by the grantee during that year.

On January 1, 2002, the grantee merged with two other programs. As a result, it expanded its service area from 14 to 48 counties, began operating offices in Oak Ridge, Cookeville, Columbia, and Tullahoma, and changed its name from the Legal Aid Society of Middle Tennessee to the Legal Aid Society of Middle Tennessee and the Cumberland. The merger resulted from LSC's decision to fund only one grantee in the area previously served by three.

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit assessed whether the grantee complied with requirements established in 45 CFR Part 1610 relating to the transfer of funds to other organizations and program integrity standards.

Our review covered the period January 1, 2001 through August 30, 2002. The OIG began its audit work in July 2002 and visited the grantee's offices in Nashville, Clarksville, and Oak Ridge, Tennessee during the period from August 19 through August 30, 2002. At LSC headquarters in Washington D.C., we reviewed materials pertaining to the grantee including its Certifications of Program Integrity, audited financial statements, grant proposals, and recipient profile. OIG staff also discussed issues relating to the grantee with LSC management officials.

During the on-site visit, the OIG interviewed and collected information from the Executive Director, case handlers, and other staff. We ascertained whether the grantee employees were generally knowledgeable regarding the guidelines set forth in Part 1610. The audit included an assessment of the grantee's policies and procedures applicable to the transfer of funds to other organizations and program integrity requirements.

The OIG gained an understanding of the client intake process used by the grantee. We identified the grantee's controls regarding its oversight of its Private Attorney Involvement program.

The OIG identified and reviewed the case files for cases that had been filed in court to determine if the grantee had engaged in any restricted or prohibited activity. The case files were discussed with the Executive Director or with the attorneys who managed or were assigned to the case.

The OIG assessed the process used by the grantee to allocate direct and indirect costs to LSC and non-LSC funds. Policies and procedures relating to payroll and timekeeping were evaluated. The grantee's employees were interviewed to determine understanding of the process. The OIG reviewed the grantee's financial accounts for vendors including contractors, employees, and consultants. We reviewed 608 transactions totaling over \$273,341.

All agreements between the grantee and other organizations and individuals were requested. The OIG reviewed all materials provided, including grant funding instruments, leases, and contracts.

We performed the audit in accordance with *Government Auditing Standards* established by the Comptroller General of the United States and under authority of the Inspector General Act of 1978, as amended and Public Law 106-553, incorporating by reference Public Law 104-134.

APPENDIX II

OIG Staff Responsible for the Audit and the Report

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